Agenda

- **DNSC Reconfiguration**
- **FY08 Sales Summary**
- **HHS Program Overview**
- **Commodities: Forecast, Sales, Inventory**
- **Survey**

Congressional Tasking

- Review DoD Disposal Policy
- Determine if NDS should be reconfigured to adapt to current world conditions to ensure future availability of material required for defense needs.
- Describe materials critical to strategic defense interests
- Describe steps being taken to ensure material availability

Interim Report

Interim Report Submitted in August 2006

- Identified shortfalls in key information needed for in depth analysis
  - Which materials were forecasted to be required for future weapons systems
  - Domestic production capacity
  - Alternatives for addressing shortfalls
- Recommended further independent study
- Recommended DoD defer preparation of 2007 Report to Congress on NDS Requirements

Independent Study

- Contract awarded to National Defense Advisory Board (National Academy of Sciences)
  - Study completed October 2007
- Conclusions
  - Design, structure and operation of NDS ineffective in responding to modern needs and threats
  - DoD appears not to understand needs for specific materials nor have adequate information on their supply

Independent Study

- Conclusions (Con't)
  - Lack of good data on availability of materials impedes the effective management
  - Need exists for a new approach in the form of a national defense-materials management system
- Recommendations
  - Establish a new system for managing supply of materials
  - Operations of the system guided by general principles
  - Improve and secure the system for gathering data and information

Working Group

USD (AT&L) established a Working Group (WG) to review NAS findings and address issues raised by Congress.

Membership:

- Office of Secretary of Defense (OSD) (Industrial Policy (IP and L&MR))
- Joint Chiefs of Staff/J-8
- Army, Department of Navy, Air Force and Marine Corps
- DLA (Acquisition Management (J-7)/DNSC
- Defense Contract Management Agency
- Department of Commerce
- U.S. Geological Survey (USGS)
- Institute for Defenses Analyses (IDA)

DNSC “Reconfiguration”

Old Process

- Military Conflict Scenarios
- Static list
  - Few Changes
  - Not reviewed by Services
- Country Reliability
  - Limited to result of conflict scenarios
  - Willingness to sell to U.S.
- Stockpile potential shortfalls

DNSC "Reconfiguration"

New Process

- Considerations
  - Military conflicts Scenarios
  - Peacetime Scenarios
- Dynamic List
  - Military weapons platforms
  - Input from Military Services
  - Reviewed by Military Services
- Country Reliability
  - Conflict scenario
    - Willingness to sell to U.S.
  - Peacetime Scenario
    - Willingness to sell to U.S.
    - Ability to sell to U.S.

- Mitigate Supply Risk
  - Strategic Sourcing
  - Buffer Stock
  - Vendor Managed Inventory
  - Virtual Inventory
  - Partnering with other countries

Timeline & Implementation

- **Timeline:**
  - Nov 21, 2008 – WG report due to USD(AT&L)
  - Nov 28, 2008 – SECDEF report submitted to Congress

DNSC Suspends/ Curtails Sales of Select Materials

- Material Sales Suspended:
  - Columbium Metal Ingot
  - Tantalum Carbide Powder
  - Platinum
  - Iridium
  - Tin
  - Zinc

- Quantities available for sale reduced for:
  - Beryllium
  - Cobalt
  - Ferromanganese (HC)
  - Ferrochrome (HC & LC)
  - Germanium
  - Tungsten Ores & Concentrates
  - Tungsten Metal Powder
  - Chromium Metal

2008 Summary

2008 Sales Summary

Top Sellers

As of 9/30/08

Ferrochromium	**$174.4 M**
Ferromanganese	**85.0 M**
Tungsten O&C	**38.8 M**
Cobalt	**35.5 M**
Tin	**76.2 M**
Chrome Metal	**3.4 M**
Other	**20.1 M**

$433 M

HHS Program Overview

- FY08 Requested additional $453.1 M
- FY08 Received additional $ 50 M

- Resulting sales authority capped $51.176 M
- Impacted the commodities & quantities offered for sale

- FY09 NDAA authorized additional $320 M

Impact of HHS Caps in 08

Fewer commodities offered for sale:

- Tungsten O&C (negotiated offerings and SSA sales)
- Diamond (entire inventory depleted)
- Tungsten Metal Powder (limited quantity sold to support Navy programs)

Chromium Metal – Cobalt – Ferrochromium - Germanium

Ferromanganese -Talc - Tungsten

Chromium Metal Available Inventory

By Location, As of 9/30/08

Electrolytic

- **Scotia, NY 888 ST**
- **Warren, OH 3,522 ST**

Aluminothermic

900 ST

Available Inventory For Sale

FY09 Chromium Metal Sales Forecast

AMP: 1,000 ST

- **Sales vehicle: BOA**
- **Frequency: Monthly**

- **Electrolytic Inventory has been recently sampled & analyzed**

FY08 Sales
Quantity: 361 ST
Revenue: $ 3.4 Million

Ferrochrome LC Available Inventory

By Location, As of 9/30/08

- Pt. Pleasant, WV 7,983
- Ravenna, OH 17,1

ailable Inventory For Sale 25,154 ST

Ferrochrome HC Available Inventory

By Location, As of 9/30/08

- Industry, PA * 2,103 ST
- Pt. Pleasant, WV 42,679 ST

Available Inventory For Sale
44,782 ST

* Kinder Morgan Terminal

FY09 Ferrochrome Sales Forecast

AMP:	150,000 ST

Sales vehicle:	Frequency

- **BOA** **Posted weekly**
- **Negotiated** **Based on Customer Demand**

FY08 Sales

Quantity: **HC 32,361**

LC

Revenue: **$ 174.4** **M**

Cobalt Available Inventory

as of 9/30/08

Warren, OH	**995,334 lbs Co**

Gecamines Cathode 99.8 % purity

Cobalt sampled & analyzed by Alex Stewart Assayers

FYO9 Cobalt Sales Forecast

AMP: **3 million Lbs Co**

- **Sales vehicle: BOA**
- **Frequency: Posted weekly**

FY08 Sales

Quantity: 1,059,347 Lbs Co

Revenue: $ 35.5 Million

Ferromanganese Available Inventory

Baltimore	600 ST
Pt. Pleasant	283,271
Warren, OH	96,8

Inventory Available For Sale

380,743 ST

FY09 Ferromanganese Sales Forecast

AMP: 100,000 ST

Sales vehicle: Frequency

- **BOA Monthly**
- **Negotiated Based on Customer Demand**

FY08 Sales
Quantity: 41,093 ST
Revenue: $85 M

Tungsten O&C by location

by location, as of 9/30/08

- Hammond, IN 1,427,576 lbs W
- Scotia, NY 20,354,562 lbs W
- Warren, OH 8,092,728 lbs W

Total Inventory Available For Sale: 29,874,866 lbs W

Tungsten O&C by type

Ferberite	2,323,952	lbs W
Huebnerite	1,659,480	lbs W
Wolframite	8,710,750	lbs W
Scheelite	6,416,695	lbs W
Synthetic Scheelite	10,419,109	lbs W
Mixed Brands/		

Total Inventory Available For Sale:

29,874,866 lbs W

FY09 Tungsten Sales Forecast

AMP: 8 million lbs W

Sales vehicle	Quantity	Frequency
• SSA	2 M lbs W	24/7
• Negotiated	6 M lbs W	2X per year

FY08 Sales

Quantity: 3.18 M lbs W

Revenue: $38.8 Million

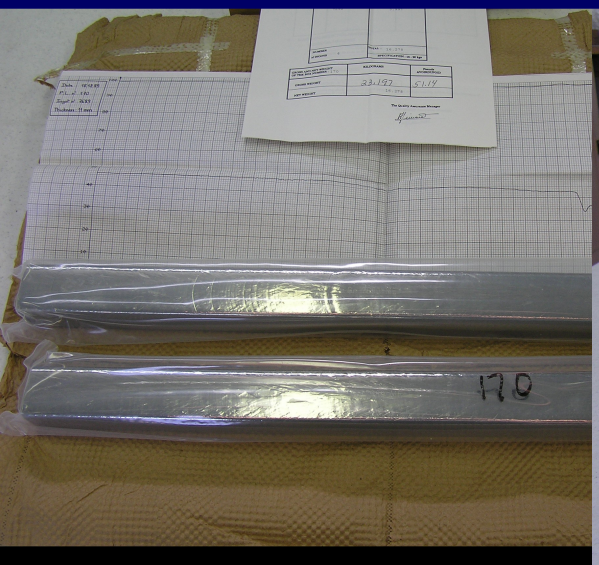
Germanium Available Inventory

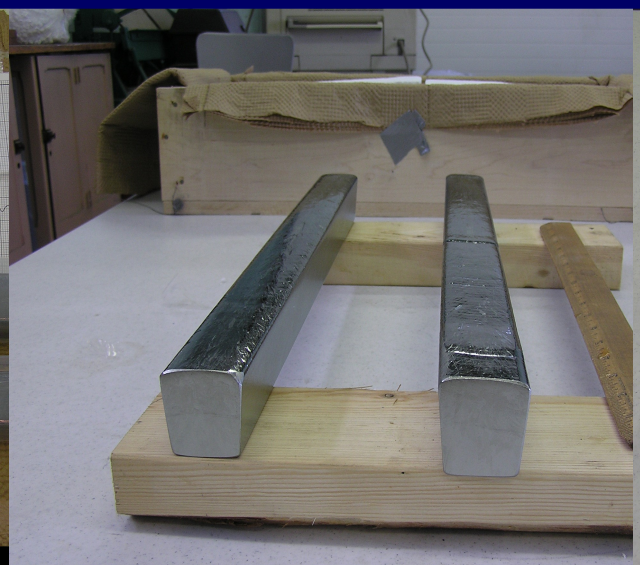
As of 9/30/08

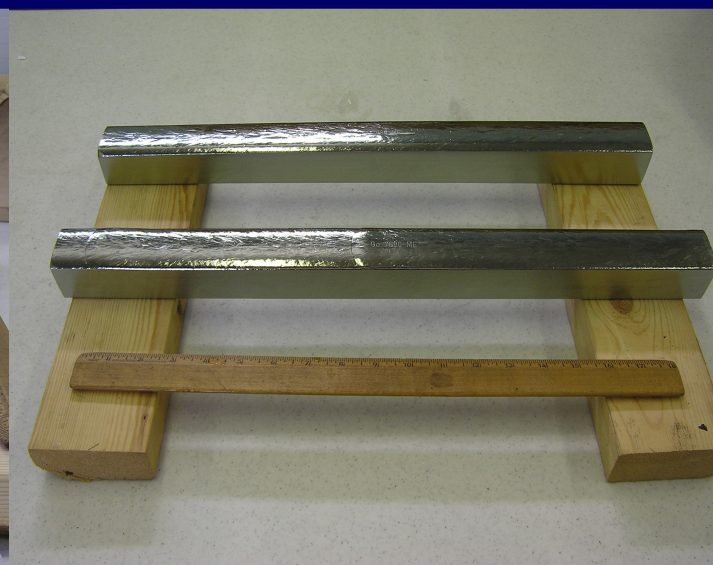
All material is in Hammond, IN

Total Available Inventory For Sale

8,528 Kg







FY09 Germanium Sales Forecast

AMP: 8,000 Kg

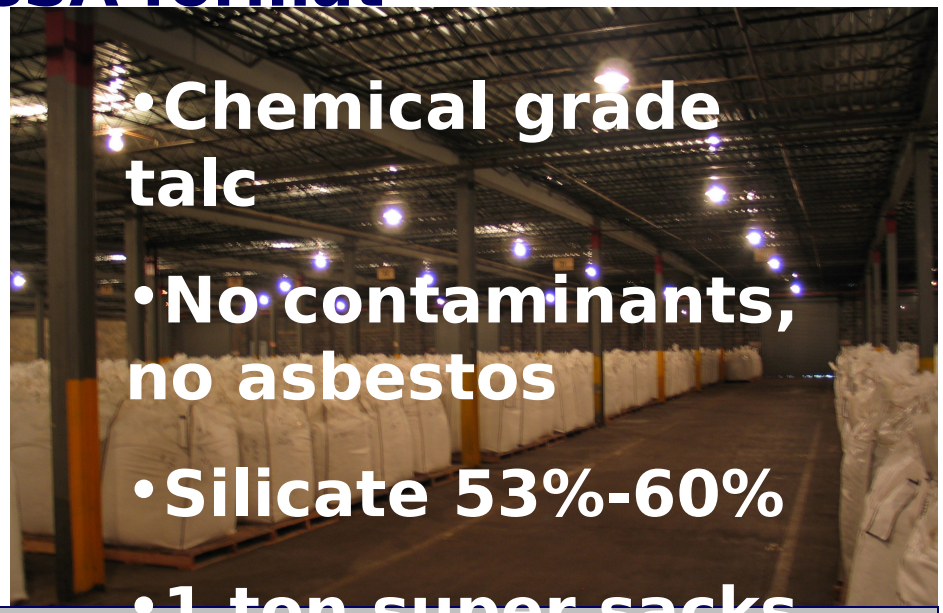
Sales vehicle: BOA

Frequency: Monthly

FY08 Sales Quantity:	**714 Kg**
Revenue:	**$874,000**

Talc

Talc is currently available for sale under an SSA format



- **Chemical grade talc**
- **No contaminants, no asbestos**
- **Silicate 53%-60%**
- **1 ton super sacks**

Warren

Scotia

Lump	461 ST
Block	372 ST
Ground	600 ST

121 ST

Adaptable

We need your feedback on:

- Sales Vehicle
- Minimum Quantity
- Using the website

We're paying attention